

City Council Budget Work Session
April 24, 2023

The City Council of the City of Elizabeth City met in budget work session on Monday, April 24, 2023 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Kirk Rivers
Mayor Pro Tem Kem Spence (*Arrived at 5:14 p.m.*)
Councilman Johnson Biggs
Councilman Joseph Peel
Councilman Javis Gibbs
Councilwoman Rose Whitehurst (*Arrived at 5:20 p.m.*)
Councilwoman Katherine Felton
Councilwoman Barbara Baxter
Councilman Johnnie Walton

MEMBERS ABSENT: None

OTHERS PRESENT: City Manager Montre' Freeman
Interim Chief of Police J. Phillip Webster
Finance Director, Alicia Steward
Assistant Finance Director, Brian Lewis
Human Resources Director, Montique McClary
Electric Superintendent, Donnell White
Deputy Chief of Police, James Avens
Public Utilities Director Dwan Bell
Parks and Recreation Director Sean Clark
Grants Administrator Jon Hawley
Fire Chief Chris Carver
ECDI Director Debbie Malenfant
IT Director Matthew Simpson
IT Systems Analyst Pedro Holley II
City Clerk April Onley

Mayor Rivers called the Budget Work Session to order at 5:00 p.m. Invocation was given by Councilman Gibbs, after which Councilman Biggs led the Pledge of Allegiance.

1. Presentation / Discussion – General Fund for FY 2023-2024;

Manager Freeman said he'd had conversations with the Finance Department about economic trends to analyze what property taxes had done over the past several years. He noted that they did have to account for COVID in this process, but they looked at the average of the trend. They believed it would be necessary to stay conservative, so they were projecting a little over \$9.1 million in property tax revenue, which was only slightly over \$180,000 more than last year. Councilman Peel noted that we had a lot of new growth happening and/or in the pipeline, which would add to property tax. Manager Freeman said he'd also found some things that should have been collected that had not yet been and he didn't want to report anything that hadn't been validated at this time. Councilman Peel stated he felt that looking back was not the best way to get an accurate number because things were exploding now. He felt that the number illustrated should probably be higher. He pointed out that he didn't know how one system "talked" to another and agreed that it may be a problem. Manager Freeman confirmed that it was a challenge.

Manager Freeman continued that until the City's various systems were "talking", our projections would stay conservative. We are in an upward trend with property tax revenue, even so.

Local option sales tax revenues – we expect to hit \$4.2 million. We have stayed conservative with this projection as well. Mr. Freeman said he would have tighter projections when preparing for next year's budget retreat with the Council. Councilman Biggs asked if there were sunset periods on the local option sales tax revenues? Manager Freeman replied that he did not believe there were, but he would verify and get back with him.

Manager Freeman noted that once all departments were communicating in an automated manner we would have more concise and accurate numbers.

Project County and Recreation Fees are projected at \$1.1 million. Mayor Rivers asked if these were fees that we charged? Is this a revenue? Director Steward advised that this is a revenue. We bill each quarter and the county gives us 45% of the collected fees. Mayor Rivers asked if this is what we charge people to use our facilities and programs. Director Steward said it is but she could see how it would be confusing and could change the description if necessary. Councilman Biggs noted that we take on the full expense and then we bill the county for their portion, which would be this total. He said when he did the math, he had us at a slightly different total. Director Steward advised that this was just an estimate.

General Fund Revenues – there is an increase in delinquent property taxes, but the collection rate is at 97%. Investment earnings are down from FY 21-22. Licensing and permits are projecting at the same total due to growth. Sales and services are up slightly. Payment in lieu of services has decreased. The total general fund revenue has increased slightly overall.

Councilman Peel referenced page 283 in the budget book, which was fund balance appropriated. He questioned the anticipated and actual. The past year is reflected as zero, but this year's recommended is \$500,000. Does this mean the budget is built off \$500,000 coming out of fund balance appropriated? Director Steward said that was correct; they used \$500,000 to help balance the coming budget. Councilman Peel said we've just been told that our fund balance is extremely low and have been cautioned about that. He felt that we should be building our fund balance instead of spending it. Manager Freeman said this number was less than what was usually pulled out. Councilman Peel said they may have budgeted it last year, but they haven't spent it since 2019. Manager Freeman said there is another place where money was used to balance the budget instead of from fund balance. Councilman Peel asked if he was talking about the proposed budget or last year's budget? Manager Freeman replied that he was referencing last year's budget. Councilman Biggs said he knew we'd used the fund balance in 2019 because the balance dropped in 2019 according to the audit report. Mayor Rivers said he referred to it as the rainy day fund – it was appropriated but not necessarily always used. Councilman Peel said instead of building a fund balance we're starting half a million in the hole. We've been using lapsed salaries and things like that. If we spend all the money we've generated and then we spend the fund balance, we're driving further into the hole. Councilman Biggs wondered how, if we don't know what fund balance is currently, how are we going to take \$500,000 from it? We're almost two years delinquent on it, so how can we use it as a revenue stream? Director Steward said in looking at the audited financial statements, she saw that the fund balance was \$2.5 million and she made this decision based off of salary revenue replacement. She noted that we did not have to use the appropriated fund balance just because we budgeted it. Councilman Biggs asked if we're tapping into that money to balance? Director Steward said we can use it to make an estimate. Councilman Biggs stated that he would caution against that because we'd talked about using that money for other projects and he'd had this position since day one. He'd asked how much we had left because he wanted to use it for specific projects, particularly utility works. He did not feel that with our current financial position we should dive into fund balance.

Manager Freeman said that we do not collect revenue into fund balance. We used some of it to balance the budget, but we do not collect revenue into it. Councilman Peel noted that anything left over at the end of the year automatically rolls into fund balance. He said this budget was built over pulling \$500,000 from appropriation. Manager Freeman said that the final decision rested with the Council. Councilman Peel said they had to send it to the LGC and he worried that if we showed that we were going down in fund balance and not up and it was already an issue, he worried that was going to be more of a problem.

Manager Freeman agreed that it could be, but it was up to the Council what they wanted to do at the end of the day.

General Fund Expenditures – Proposing \$185,000 less than what was in the last budget. Councilman Biggs asked how we're shrinking the budget by that much given double-digit inflation. He said he felt the budget should be going up just due to the extreme costs. Manager Freeman said it has increased in some areas. Director Steward noted that many line items projected a larger amount than what was truly being spent last year, so there were some savings there. Manager Freeman said we looked at what was budgeted and what was actually spent and there were some projections that were extremely high so they were able to cut. He noted there were some increases associated with administration because they'd be working to get the new deputy clerk trained.

Mayor Rivers asked about the cost of the increases. He asked if we were looking at \$96,000 for an admin? Director Steward said last year the assistant city manager was not budgeted for, so that had been left from the budget and this year it was put in. Mayor Rivers asked about the increase in Community Development. Director Steward said most of the projection was based off of payroll and did not include vacant positions. Manager Freeman said they're looking to bring on a full-time Community Development director as well as two planners. They need to have that number on the books.

Mayor Rivers returned to administration. He asked if the Council had any questions there. Councilman Peel asked what the increase was again and why? Manager Freeman said the assistant city manager position was not funded and they needed to put that in there. Councilman Peel said he thought they weren't funding that. Manager Freeman said he may allocate the money elsewhere, but he needed it put into the budget. Councilman Biggs asked if this was going toward the financial consultant? Manager Freeman said previously we had a manager, assistant manager and a clerk and deputy city clerk. He wanted the funding for the assistant city manager in the budget, which he would be asking to reallocate for the financial consultant. The additional \$12,000 was for the deputy city clerk's training. He said he just wanted to fund what we should be funding and the positions that we already have.

Mayor Rivers asked the Council if they had any additional questions about the administrative section. Councilman Walton said his understanding was just that the manager wanted to make his team stronger. Manager Freeman said that was correct. Councilman Walton said the way the county did it with the manager and assistant manager was a good choice and he felt what Manager Freeman was doing was a good choice as well.

Mayor Rivers asked about the maintenance of vehicles. He noted that it was a line item in every department. Where are we as far as Enterprise? Are we going to have a proposed move forward with them? Manager Freeman said he'd met with them today and he'd have a full presentation from them next month. It would be like what they'd seen previously, but then it would be sent to the LGC. It was called a fleet management synopsis. They wanted to include the maintenance costs and the value of the trades. Once those numbers are in, he'll bring them forward. He expected that we can turn 1/3 of the fleet with the same amount it would take to usually buy about five police cars. He noted that police will not be included in the first phase because we have enough cars there due to the vacancies in the department.

Councilman Peel asked if he intended to talk to the LGC beforehand. Manager Freeman said once the plan was built, he would present it to the Council and then send it to the LGC. He felt it would go through because of the money savings, but we'd see.

Mayor Rivers moved the Council's attention to Finance, Admin and Accounting. He asked about the professional services – where is Greg Isley's Group shown here? Director Steward advised that it's not a separate line item, but it's included in professional and contracted services. Mayor Rivers asked if there were any new positions. Manager Freeman said not at this moment. Mayor Rivers said he wanted the department heads to advise on how many currently filled positions they had, with a breakdown of full-time, part-time, and also how many vacancies. Councilman Walton asked about a contract with PB Mares. He said he'd heard there was a gigantic price tag attached. How much have we paid? Manager Freeman said that was on the closed session for discussion. Mayor Rivers noted that last year, he was hearing that we were behind on technology – are we looking

into addressing that issue? Where are we with Tyler? Manager Freeman said we when get to IT, he's restructured the department and added two new positions for the purpose of increasing internal controls. Councilwoman Felton said she felt our phone system was horrible and it needed to be fixed. Manager Freeman said he agreed and that was part of why we needed to grow IT because right now, there are only three people in that entire department for the whole City. The two new positions will include cyber security to protect us as we grow our platforms. We need to give them what they need to operate and increase internal controls.

Tax collection reflected a \$1,000 increase. Legal remained at \$75,000. Mayor Rivers asked if legal included the city attorney as well as the labor attorney and outside services? Manager Freeman said that was correct and there was a lot happening in 2022 that caused that number to increase so much. Mayor Pro Tem Spence agreed there was a lot happening and he was interested in getting a printout on how the labor attorney charged us and as well as a breakdown. He said he understood that there were councilors who called the attorney and we were charged for it, which he did not feel was correct. Mayor Rivers said the good thing was this year, we had budgeted \$75,000 and we were only at \$65,000 to date, so we're in great shape. Mayor Pro Tem Spence agreed that had been an issue. Councilwoman Felton asked when they get the breakdown, will it show every attorney that was paid and for what, is that correct? Manager Freeman said we can pull that. Attorneys do billable hours in 15-minute increments but because we pay with tax dollars they have to give us a breakdown. He said he didn't know what happened throughout all of 2022, but Attorney Leidy and Attorney Morgan carried the heaviest of the load. He noted that Attorney Hornthal may have been involved in a few matters as well, he wasn't certain, but he would pull it all. Mayor Pro Tem Spence said he just needed the information. Councilman Walton asked that the people they talked to be included in the breakdown.

Manager Freeman continued the presentation with Code Enforcement, which is expected to decrease by \$1,909, while Community Development is increasing overall.

Councilman Biggs asked if we'd gotten our health insurance numbers back yet? Manager Freeman said it was not official but we're expecting around a 9.5% increase for medical and about 1% increase for dental, but those numbers are not in the budget book yet.

Mayor Rivers pointed out that under Code Enforcement, \$35,000 is being budgeted for lot clearing. He asked what we have potentially that we can tear down as far as dilapidated homes? He felt the Council should look into tearing down eyesores to help with blighted areas and maybe get rid of squatters. He knew it took a lot of time because once it was identified, it took a long time to go through the legal process. He said if we didn't use all of the funds there, which we were at about \$18,000 for this year so far, he would like to see what we don't spend get reallocated back to the next year's Code Enforcement so we could make a push to clean up the community. He asked who takes care of the flowers donated by ECDI on the poles? Director Malenfant explained that it used to be Parks and Rec but ECDI now volunteers and has taken it over. Mayor Rivers said we need to make a concentrated effort to make sure all of our areas look good, including our entrance signs. It's easy to plant flowers but it takes a lot to upkeep them. He said this is about the beauty of our city and we need to show our residents that we care. He asked that we come up with a plan to keep everything beautiful – if it takes money, then we need to allocate some. You can't depend solely on volunteers. Director Clark noted that if Parks and Rec takes on all these things, their budget needs to reflect it because they can't do everything. Mayor Rivers said he heard him and he agreed. That's why he was asking the Council to take that into consideration. Councilman Walton said he felt we need to put more emphasis on cemeteries too. Some cemeteries look terrible, grass is growing wild and some of them are overgrown. Mayor Rivers agreed that some money needed to be put to those as well. They had to find the money. Mayor Pro Tem Spence felt that all the vacant lots or abandoned lots, Public Works couldn't cut all of them on their own. He suggested that we looked into more contractors to cut the empty lots and the abandoned lots and charge people for doing it. He felt it was a lot for the workers to do along with everything else. Manager Freeman said we had right at 100 city-owned lots. He said there was a decrease right now in Code Enforcement just based on the trend. Whatever came out of the new bill that Representative Ward was working on, we would look at that.

Councilwoman Felton asked once we had contractors, was it possible to have them cut the cemeteries and then bill them? Mayor Rivers said we still had to go by the code of ordinances. We had to wait until it got to a certain height, then send them certified letters and so on. Manager Freeman noted that we do have contracted services for the cemeteries, at least those owned by the City. Mayor Pro Tem Spence said they were specifically talking about privately-owned ones. Manager Freeman worried that private owners might argue the bill, so we would have to change the policy. Mayor Rivers reminded the Council that a policy change affects everyone so they need to remember that too.

Councilman Peel said the condemnation and demolition fund used to be in Building Inspections if he remembered correctly. He didn't think it was in Code Enforcement. Mayor Pro Tem Spence said he thought he was right. Manager Freeman said he did see that in there. Councilman Biggs said we have a pretty hefty real estate of lots that we own through some means or another and he'd like for us to start looking at what inventory we have that we're not using. Given the amount of building that we're seeing, if we could figure out a way to get these back into the public's hands, that's less that we're paying to maintain. He recalled that someone not too long ago even tried to donate some land to us. Manager Freeman said currently what's happening is that he has Director Bell and Chief Webster looking at their surplus across the board. Councilman Peel said he'd spoken with former Director Long about buildable lots and we'd had several at that time. We could have someone like Mr. Flanagan or someone who was an expert in tax credits and see what we could do with that. Councilman Biggs wondered if we could get some interest in Habitat for Humanity or another likeminded program to come in. Mayor Rivers said he'd like to bring this discussion forward in July.

Community Development has increased about \$182,000, most of which is tied up in the hiring of two full-time planners and a permanent Community Development director. Mayor Rivers said he'd like to know how many part-time positions, how many full-time and how many vacant positions are in that department. Councilwoman Whitehurst asked if these are three new positions? Manager Freeman said they are not new, just vacant, however the former salary range was not very good, so he'd moved them up to the middle of the range in hopes of seeking better candidates.

Councilman Biggs said he'd be interested in knowing if each department had a communications plan or if they did a "bulk buy". Manager Freeman said we currently have an agreement with Verizon Government Solutions and that was how we purchased everything but he could see if there was anything that might make it better or cheaper for us.

Mayor Rivers mentioned that the Planning Commission had some concerns about their funding. He did not see a change reflected here. Did Council feel at this time that there should be an increase or it should be left as is? Councilman Biggs said he used to serve there and he got paid \$25 per meeting and was shocked, as he thought it was a volunteer board. If we can't give our actual employees a raise, we definitely can't increase what's more or less a volunteer board. He stated that he would not feel comfortable if we're not giving our employees anything. Mayor Rivers said he was trying to find ways to cut because he really wanted to give the employees something. If they couldn't, so be it, but they wanted to at least do what they did last year with the one-time payment, which was why he went line item by line item. Every time we don't give them anything, we get further and further behind. We knew last year was tight but we managed to give them a one-time bonus because we didn't know where we were with our fund balance. He said that was part of why he wanted to know how many positions we're short, and things like that. The manager has presented his budget, but now we have to cut to get the things we want to get.

Councilwoman Felton said she felt they should leave it at \$25 for the board. She agreed with Councilman Biggs. Mayor Rivers noted that the planning meetings can be rough. We've lost a lot of people from our boards and we can't afford to pay them all, but I'd at least like to pay for their tank of gas. Councilman Biggs said he would hope that if we left it at \$25, it would not change someone's mind to serve. He didn't think any of the councilors served for the compensation. He didn't think every board got compensated, so he didn't know how you fairly applied who got what. He said he viewed it as community service or a way to give back, much like council. He felt that if we increased the payment,

we may be going down a trail that leads to more issues. Councilman Gibbs said you have to have a servant's heart for people to be in these places. If someone is going to step down because of \$5, they don't have the heart of a servant. He felt that we had enough people willing to serve. If you want to serve, you'll serve. No one is in the position for the payment.

Mayor Pro Tem Spence said he'd been on the planning commission a long time ago and he felt the experience was worth more than the money. The only way you learn the pulse of the city is to be involved with the city. All boards do not get paid. He said everyone knew how he felt about City staff, and he always said that if we take care of our people, they will take care of us. There is not an employee who works for the City that gets paid their worth. He urged that if we can do anything, it needs to be done for the staff.

Mayor Rivers asked that we look into doing what was done last year for the employees, so we at least know what it costs when cutting. He wanted to know how much needs to be cut. Councilman Biggs said we did \$500 and that ended up being a little bit more than 1% or right at. If we could get 1%, we could estimate the rest. Manager Freeman said that would be \$196,000. Councilman Gibbs asked if we just did it for full-time employees? Manager Freeman said we did, and we were at 240 full-time employees currently. Councilman Biggs suggested we also look at how many vacancies for full-time we had as well, just in case any got added in. Councilwoman Felton said that really didn't matter too much because if we did it as of July 1, it was only the employees there as of that point. We wouldn't back pay the bonus if someone came in in September or anything like that. Mayor Rivers asked the manager to bring back a 1% and \$500 to consider.

2. Adjournment:

There being no further business to be discussed, Mayor Rivers adjourned the meeting at 6:47 p.m.

Kirk Rivers
Mayor

April D. Onley
City Clerk, NCCMC